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April 18, 2008

Mrs. Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, Vermont 05620-2701

Re: Supplement and Reply Comments of the DPS Concerning Budget Levels for
EEU, and the Disposition of Revenues from EEU Participation in the Forward
Capacity Market

Dear Mrs. Hudson:

These comments serve as the Department's supplement and reply to the comments on the EEU 20-year budget projections filed by the Department and other parties on April 4, 2008. These comments also respond to the request of Judith Whitney, Deputy Clerk of the Board, submitted as a memorandum to the EEU Service List and the Docket 7081 Service List on April 9, 2008. Finally, this letter responds to the memorandum from Ann Bishop and Andrea McHugh of April 10, 2008.

Recommendations concerning the Budget for 2009-2011 were contained in our April 4, 2008 comments. To summarize, the Department would like to see a sustainable pattern of program spending consistent with available resource and statutory criteria. The Department recommends that the EEU budget be held constant (in nominal dollar terms) for 2009 and be adjusted for expected inflation for 2010 and 2011. The basis for that recommendation was further detailed in our April 4, 2008 filing.

As the Department noted in its April 4 filing, the 2006 GDS analysis provided the only detailed and rigorous analysis of reasonably available cost-effective energy efficiency. The budget path set for the 2008 budget year is generally consistent with that path, provided there is allowance for adjusting nominal dollar budgets over time. More recently we asked our consultants to update technical assumptions and impacts of legislation. Based on this review, we conclude that the current budgets represents the best long term budget path consistent with legislative direction and the Board's August 2, 2006 Order, *Order Re: Energy Efficiency Utility Budget for Calendar Years 2006, 2007, and 2008*.



With respect to the geo-targeting of programs, the Department, in its April 4, 2008 filing only made recommendations with respect to the EEU's Forecast 20 effort and reserved judgment pending the evaluation efforts for the 2009-2011 budget cycle. The Department now recommends that the geo-targeting efforts continue for at least the 2009 calendar year after reallocation of the Newport programs elsewhere, and that the Board create an opportunity for further deliberation on the topic of geo-targeting either in the context of the VSPC and/or the Board's EEU Structure workshops. As noted in our April 4 filing, future commitments to geo-targeting should make the best available use of pending evaluation of the efforts.

In a memo to the parties on April 10, 2008, Ann Bishop and Andrea McHugh asked the parties to Docket 7081 and to the EEU Structure workshop to provide comments on the budget levels the EEU should use for the 20-Year energy efficiency forecast that it must prepare pursuant to Paragraph 61 of the MOU in Docket 7081.

With respect to the actual budget used by the EEU for purposes of preparing the 20-year energy efficiency forecast that must be prepared pursuant to paragraph 61 in Docket 7081, we have the following comments. At this point, we believe that the 2008 budget estimates provides the appropriate reference point for the same exercise during the 2009-2011 budget cycle. That said, we expect some economies of effort the second time around and do not believe that cost estimates are material in relation to other uncertainties around budget targets, program delivery, carry-overs, and inflationary adjustments. Consequently, we recommend that the budgets be set and the program expenditures be netted from the budgets established by the Board in the next contract cycle.

With respect to the use of forward capacity revenues, the Department recommends that the Board establish budgets for the energy efficiency utility based on its assessment of reasonably available cost-effective potential, consistent with statutory guidance. As such, the Department recommends that the FCM revenues be used as an offset to other funding sources.

The Department appreciates this opportunity to provide comment.

Sincerely,



Sarah Hofmann
Director for Public Advocacy

cc: EEU Service List Electronically
Docket 7081 Service List

PSB Docket No. 7081- SERVICE LIST

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